CE CHAIN CENSUS

INSIGHTS

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions) 1987	Sales (In Millions) 1986	Percent Change	No. of Stores Dec. 1988	No. of Stores Dec. 1987
Circuit City Richmond, Va.	$1,350.0	$1,011.0	34%	125	105
Highland Superstores Taylor, Mich.	753.4	656.4	15	83	72
Silo Philadelphia, Pa.	750.0	600.0	25	210	150
Best Buy Minneapolis, Minn.	439.0	240.0	83	43	40
The Federated Group City of Commerce, Calif.	436.5*	430.0	2	61	65
Crazy Eddie Edison, N.J.	317.0	352.5	(10)	43	42
Tops Appliances Edison, N.J.	280.0	260.0	8	2	2
Fretter Livonia, Mich.	260.0	273.0	(5)	55	47
Newmark & Lewis Hicksville, N.Y.	$ 242.4	$ 214.0	13%	52	46
The Wiz New York, N.Y.	218.0*	200.0	9	26	24
Audio-Video Affiliates Dayton, Ohio	211.7	228.8	(7)	125	117
American TV Madison, Wis.	198.7	160.0	24	7	6
Trader Horn Hasbrouck Heights, N.J.	140.0*	135.0	4	16	15
Luskins Baltimore, Md.	127.0	140.0	(9)	NA	44
The Good Guys San Francisco, Calif.	120.0	89.0	35	18	15
Brick Church Orange, N.J.	100.0	100.0	0	40	22

NA—Not available ** DSN estimates*

All figures for last completed fiscal year ended in first quarter of 1988, except American TV (June 30, 1987), The Good Guys (Sept. 30, 1987) and Tops Appliances (calendar year 1987).

Source: DSN research; Company reports

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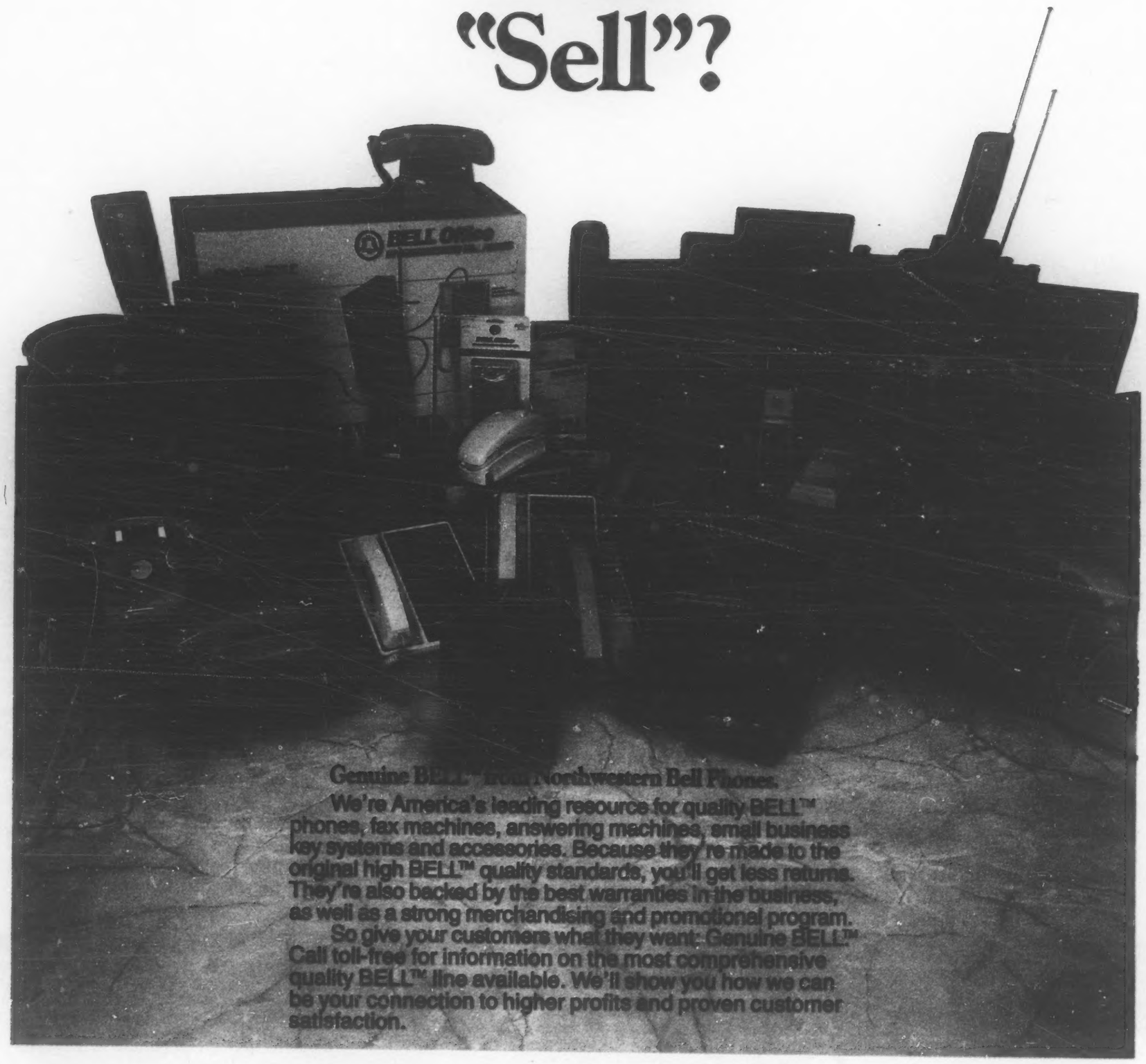

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CE Chains Slow Growth To Retrench

(Continued from page 37)

Circuit City found a formidable competitor when it entered the San Francisco Bay area last year. For the first six months since Circuit City entered San Francisco, The Good Guys, which has been based there since 1973, saw its comparable store sales rise by 8 percent.

Earnings for the 15-store chain soared 86 percent to $2.6 million for year ended Sept. 30, 1987. Sales jumped 35 percent to $120 million. The Good Guys will open three stores in 1988 and plans to expand into Northern California in the near future.

Silo also remained relatively untouched by obstacles that thwarted other CE retailers in 1987. It is one of the few CE chains to plan an aggressive expansion program for 1988.

The 150-store chain, which was bought last year by Britain's largest CE retailer, Dixon's Group, plans to open 60 new units this year. Last year, Silo's sales rose 25 percent to $750 million.

Analysts said that Dixon's plans to enter Chicago by opening Silo stores there and in Milwaukee through leased departments in Marshall Fields department stores. Dixon's is also in the process of refining the 24-store St. Louis-based Tipton Centers it bought last July.

And, Dixon's says it is looking for more acquisitions of CE specialists. Among likely targets are The Federated Group, Newmark & Lewis, Fretter and Luskin's.

Madison, Wis.-based American TV also had a good year. Sales jumped 24 percent to $198.7 million for the fiscal year ended June 30, 1987.

The six-store chain plans to expand in the computer/software area with a separate selling space devoted predominantly to home office equipment and business product centers geared toward desktop publishing. It plans to open a new store this fall in Browndeer, Wis.

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CE CHAIN CENSUS INSIGHTS

CE Chains Slow Expansion Plans, Focus on Improving Bottom Line

(Continued from page 38)

Among the CE chains that have turned to more moderate expansion plans in response to adversity are Highland Superstores and Best Buy.

By far, Minneapolis-based Best Buy experienced the fastest sales growth in 1987. The 40-store chain's sales jumped 83 percent to $439 million. But, after opening 16 stores last year, Best Buy plans to open only one to four more in 1988. "We are planning for a modest expansion this year to grow and mature the business," said Thomas C. Nelson, vice president of communications and investor relations for the chain. Nelson said the company is also trimming staff for better cost control.

Taylor, Mich.-based Highland Superstores remained the second-largest CE retailer in the nation, posting a 15 percent increase in sales to $753.4 million for the fiscal year ended Jan. 31, 1988. But, indicative of the CE environment, earnings fell to $13.9 million from $20.2 million and same store sales fell 10 percent.

The 72-store chain plans to open only 10 to 12 stores this year vs. the 19 stores it opened last year. Highland entered three major new markets in 1987 (Milwaukee, Minneapolis and New England), but will not enter any major new markets in 1988.

Highland Refocuses Efforts

Highland is also refocusing efforts inside its organization. Its efforts at improving customer satisfaction include increasing product sales training and working on a new prototype that will refine in-store customer flow and provide quicker check out.

A number of CE chains either had flat or declining sales in 1987 and many closed units.

Livonia, Mich.-based Fretter posted a 5 percent sales drop to $260 million. The 47-store chain closed one unit in Highland Park, Chicago, but plans eight openings in 1988 in Chicago, Ohio and Boston.

Baltimore, Md.-based Luskin's reported a 9 percent drop in sales to $127 million. In 1987, it closed 13 stores in Michigan, Kentucky and Ohio, while opening four in the Richmond/Tidewater area.

Audio-Video Affiliates, Dayton, Ohio, experienced a sales decline of 7 percent to $211.7 million. The chain closed nine stores in Kentucky, Indiana, Arkansas, West Virginia and Oklahoma in 1987. This year, it plans to open 18 stores in existing markets and will not enter any new markets. Net income for year ended Jan. 31, 1988, fell 48 percent to $3.87 million.

And Edison, N.J.-based Crazy Eddie, which changed management after a lengthy proxy fight in 1987, saw its sales plunge of 10 percent to $317 million. Elias Zinn, president of the 42-store chain, said its new, commissioned-sales program increased gross margin to 22 percent and a new POS system has helped to cut costs by $30 million. The chain plans one store opening this year in Connecticut.

City of Commerce, Calif.-based The Federated Group, which was bought by computer maker Atari in October, had estimated sales of $436.5 million, up 1.5 percent. The Federated Group closed two stores in Anaheim, Calif., and Wichita, Kan., and will close two more by the end of June.

Orange, N.J.-based Brick Church experienced a flat year, posting sales of $100 million. This year, 22-store Brick Church plans to grow to 40 units, including previously announced leased departments at TSS-Seedman's discount stores in New York and new stores in North Brunswick, Little Ferry, Paramus and Woodbury, N.J.

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IMRA '88: Politics, Trends, Consolidation and Competition

(Continued from page 1)
George Bush over a field of five Democratic contenders (Michael Dukakis, Jesse Jackson, Mario Cuomo and Bill Bradley) as the person they would prefer to see elected president.

A higher percentage, about 70 percent, felt that the vice president was the most likely candidate to win election to the White House, a finding that runs counter to the extremely close race predicted by convention speakers syndicated columnist Mark Shields, *Time* magazine columnist Hugh Sidey, and former House Speaker Thomas "Tip" O'Neill Jr.;

- Heard IMRA president Richard Hersh describe the association's growing political lobbying efforts. Hersh also offered a special plaque to Stephen Goldberger, chairman of Hills Department Stores and IMRA chairman, in memorial to his father, Hank Goldberger, who died this year;
- Predicted that discount retailing is on the verge of a new era in which hostile takeovers, management buyouts, further consolidation, and new forms of retailing—particularly membership warehouse clubs, hypermarkets and specialty superstores—will play havoc with traditional ways of doing business;
- Identified an increasingly competitive, overstored environment; the "commodization" of products; dealing with "de-massification" of what had been a standardized, monolithic industry; a dramatic shift in the relationship between retailers and their suppliers with the goal of more efficiently channeling goods to consumers; and government intervention as among the most pressing challenges facing retailers in coming years.

Most exhibitors said they felt there were fewer retailers at the convention this year, and of the chains represented, there appeared to be fewer personnel walking the show. Notable by their absence were both May Department Stores discount chains, Caldor and Venture, while such large chains as Zayre and Fred Meyer chose to send only one representative. About 2,300 people attended the convention, according to Hersh, up from a little more than 2,100 last year.

The nation's highly charged political climate even seemed to affect retailers' view of business conditions. "We're having a good year," said Alvin Glosser, chairman of regional discounter Glosser Bros. "But, I expect consumers to be more cautious from now until election time."

George Granoff, president of Bradlees, which just became a private company as a result of parent Stop & Shop Cos.' efforts to fend off a hostile takeover bid by the Dart Group, told *DSN* that comparable store sales are running ahead of plan at about 3 percent to 4 percent over last year. The apparel business is "unfocused" with "no clear fashion direction," but hard lines sales have been very good, led by the home store categories of domestics and home furnishings and consumer electronics.

Bill Atkinson, president of Canadian discounter Towers Department Stores, said he sees 1988 as "a reasonably tough year. After five years of sales expansion, things have started to slow down." He, too, cited the lack of fashion direction in apparel, but said he is hoping for some sales recovery in the second half of the year. At Towers, consumer electronics, records, cameras, ready-to-assemble furniture and housewares have been performing strongly. The chain is expanding its soft home fashions and refixturing its curtains and drapery area.

Stan Brenner, president of New Castle, Pa.-based Fisher's Big Wheel, told *DSN* that his chain has been facing more competition in smaller markets from K mart, Ames and Wal-Mart. "We're structuring ourselves to compete with them in both '88 and '89," said Brenner, who added that Fisher's, which currently operates 90 stores in six states, will expand store count by 10 percent in each of the next two years. Lifestyle departments, such as RTA furniture, will receive the most attention and funding, he said.

Commenting on the lack of fashion direction in apparel, Eric Flodberg, vice president and general merchandise manager at Fisher's, added: "We're selling five-pocket basic jeans, and when you start selling that you know you're in trouble."

The women's apparel business "started slowing down toward the middle of last year and is still very soft," added Joe Ettore, senior vp, gmm, soft lines for Secaucus, N.J.-based Jamesway. "A lot of the juniors-oriented specialty stores knocked the female shopper off kilter, with everything looking juniorish, even in missy. Hence, when The Limited and The Gap started to slow down, so did a lot of the discounters."

In contrast, Jamesway's home furnishings business is "going great," said Ettore. "It's become a fashion business and it's very exciting."

IKEA Suit Forces STOR Catalog Retraction

(Continued from page 1)
ing the court to recognize its claim of replication and to prohibit STOR from continuing this action. IKEA is also seeking damages.

At presstime, STOR had not yet filed a formal response to the lawsuit. However, STOR president Jim Stadtlander told *DSN*: "We feel we have done nothing wrong and we are going to vigorously defend ourselves."

Both retailers specialize in predominately European style ready-to-assemble furniture, domestics and housewares, featured in typically 150,000-square-foot facilities, where the accent is on self-service. While IKEA's two U.S. locations are in Plymouth Meeting, Pa., and Dale City, Va.—with a third site planned for Baltimore—STOR currently operates one Southern California unit in City of Industry outside Los Angeles and has recently broken ground on a second site in nearby Irvine.

While IKEA is not yet on the West Coast, the chain said it plans on eventually opening stores in the area, and its catalogs have already been distributed to the market.

It was the 1988 STOR catalog that came under fire first in the proceedings between the two retailers when IKEA sought to stop STOR from using the catalog because it so closely resembled IKEA's 1986 and 1987 catalogs.

Although this issue reached a preliminary hearing in a Los Angeles federal court, STOR stated it was no longer using the 1988 catalog, so the injunction request was viewed by the court as no longer necessary.

However, federal Judge Harry Hubb stated that if STOR had not ceased the use of its catalog, it was likely IKEA would have won its request. STOR now has issued a spring 1988 catalog, which at presstime was under review for copyright infringements by IKEA's lawyers.

The dispute over the original STOR 1988 catalog, however, is not over. The matter of copyright infringement will still be under consideration when the lawsuit reaches the court some time in the next few months.

And because the IKEA catalogs were copyrighted, and predictably easier to protect than a retail concept, it is this issue which the Swedish retailer has the best chance of winning, according to industry analysts.

The similarities between the retailers' catalog front and back covers are easily noticeable when placing the 1988 STOR catalog next to IKEA's 1986 version.

Other parallels are found throughout the catalogs' room vignette photos. Not only are products similarly displayed, but lighting and camera angles are near duplicates and captions are almost identical.

While IKEA said it does not object to a retailer using its concept or catalog approach, it does object to the blatant reproduction of its business. Several similar retailers, including STOR, Home Express, Montgomery Ward's Home Ideas and Federated Department Stores' HomeWorks, have sprung up recently. However, only STOR so closely follows IKEA.

"Their [STOR] store is an IKEA store, they have just changed the name," commented IKEA's lawyer, Allan Zelnick. "IKEA has no objection to them [STOR] using the concept . . . what we object to is that in doing so, they copied IKEA from A to Z."

According to IKEA, the two chains were involved in settlement negotiations from January of this year until March, when talks broke off between the retailers.

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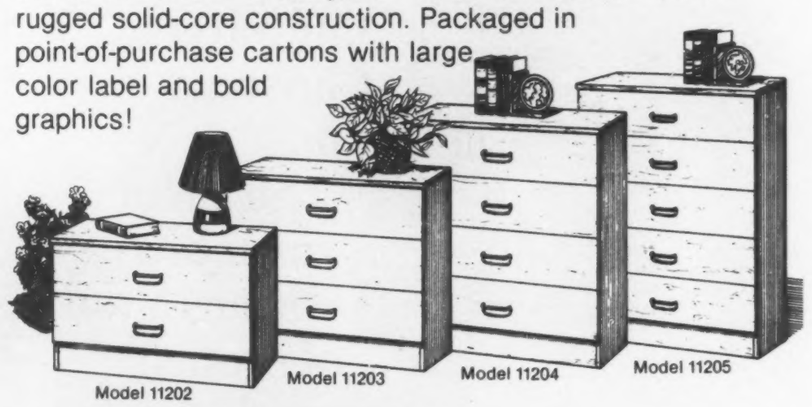

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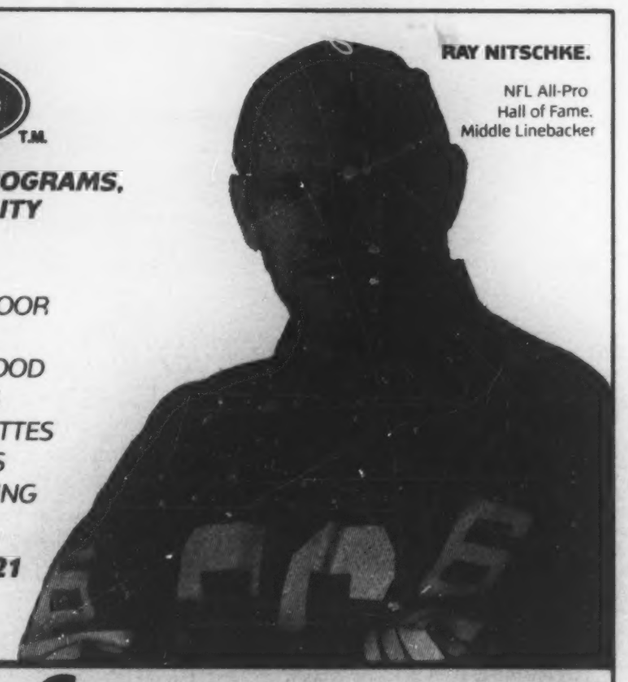

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Discounters Win One; Court OKs Gray Market

By Kenneth Rankin

WASHINGTON — In a major victory for the nation's discount retailers, a sharply divided U.S. Supreme Court upheld controversial Customs Service regulations allowing the "parallel importing" of billions of dollars in bargain-price "gray market" merchandise.

Siding with attorneys for K mart and New York City camera discounter 47th Street Photo, the high court ruled 5-to-4 that Congress intended the 1930 Tariff Act to protect only American businesses—not multinational firms that make goods abroad and then attempt to monopolize U.S. distribution of those products in this country.

The immediate impact of the ruling will be to lift the cloud of doubt over the legality of parallel imports stemming from a 1986 federal appeals court decision that struck down those gray market Customs Service rules. As a result, the demand for gray market watches, cameras, fragrances and other heavily parallel imported products is expected to rise as word of the Supreme Court's action spreads through the U.S. retail community.

More importantly, though, the decision upholding the legality of parallel imports assures the nation's discount

(Continued on page 10)

Bradlees To Jettison 58 Units In Wake of Takeover Attempt

By Laura Liebeck

BRAINTREE, Mass. — Stop & Shop's move to sell nearly a third of its Bradlees discount chain is the latest example of the financial repurcussions companies suffer after warding off hostile takeovers.

In recent weeks, Bradlees and Gold Circle have been the focus of much attention as their parent companies struggle to tame huge debts resulting from new management. And, with takeover activity in discount retailing expected to continue or even accelerate, many discount executives will be hard pressed to keep their attentions focused on gaining market share.

Stop & Shop put Bradlees' 58-store Southern region on the sale block. They produced $635 million in sales last year. (DSN photo)

As the most recent victim of a thwarted hostile takeover, Stop & Shop, parent of Bradlees, based here, is now trying to sell off the discounter's 58-store Southern region, or one-third of the chain, to pay down the $1.4 billion debt incurred in the nearly completed LBO.

Stop & Shop successfully warded off an assault by The Dart Group through an LBO financed by Kohlberg Kravis

(Continued on page 29)

Heck's Seeks Approval to Shutter 40 Locations

Chain Posted Loss of $61.3M in '87

NITRO, W.Va. — In the third round of store closings over the past year, Heck's is seeking approval of bankruptcy court to close about 40 of its 118 remaining stores and fire some 1,700 of its 5,000 employees.

Heck's said it hasn't determined which stores to close.

If approved, the closings would slash sales to about $300 million a year from $417.8 million in calendar 1987. The impact on profitability remains undetermined, Heck's said in announcing its store closing plans. In calendar 1987, Heck's lost $61.3 million, including $33 million related to closing 29 stores in mid-1987 and nine after Christmas.

Heck's filed for Chapter 11 bankruptcy protection March 5, 1987, after the Toussie-Viner investment group dropped negotiations to acquire Heck's for $145 million.

Heck's operates 92 discount stores under that name, as well as 26 smaller stores named Maloney's, a variety store chain that Heck's acquired in 1985 that then consisted of 35 units. At its peak, in 1986, Heck's operated a total of 165 stores, and then closed 13 in that year.

The bankruptcy court hadn't scheduled a hearing on the proposed closings as of presstime, said corporate counsel William Bragg, but a date is expected in late June.

The layoffs include about 35 of 200 employees at its headquarters, said Bragg.

Heck's stock closed at $1.87 on June 3, when it announced the new closings, compared to $8.75 shortly before it declared bankruptcy last March.

Final results for Heck's new fiscal year, which ends in February, aren't yet in. But indications are that stockholders' net equity of $71.8 million sustained a "substantial decline" during 1987.

During January and February 1988, Heck's lost $2.1 million on sales of $39.8 million, compared to a loss of $7.3 million and sales of $57 million in

(Continued on page 29)

ShopKo To Debut 2 Hypermarkets

GREEN BAY, Wisc. — Add ShopKo to the list of retailers entering the burgeoning hypermarket field.

The Midwest regional discounter will open a 180,000-square-foot Twin Valu hypermarket early next year in the Cuyahoga Falls suburb of Akron, Ohio, and later in the Euclid suburb of Cleveland.

ShopKo will handle the stores' general mer-

(Continued on page 31)

Sears Launches Gift Sender Kiosk

BOSTON — Sears has introduced an interactive shopping kiosk, called Gift Sender, which it plans to place in Sears stores, transportation centers and major office buildings.

The Gift Sender's don't have a Sears identification nor does it merchandise any of the retailer's products.

Eric Saunders, senior vice president, administration and planning, Sears Merchandise Group, said that the public access kiosk will be a one-stop shopping alternative for gift shoppers, offering a wide range of jewelry, personal care products, florals and other gift items, which can be paid for and then shipped

(Continued on page 34)

Higher Prices, Personal Videos, DAT Spark CES

By Peter Hisey

CHICAGO — The consumer electronics market may be as much as two years away from a comeback, according to retailers and vendors at the summer Consumer Electronics Show here this month.

Sales of VCRs have stalled and actually declined over the past year, and sales of CD players, the brightest spot on a rather uninspiring retail landscape, are starting to slow down. With widespread introduction of Digital Audio Tape (DAT) at least a year away and the premiere of Tandy's recordable compact discs slated for 1990, there are no new hot products on the immediate horizon.

This is not to say, however, that the show was devoid of interesting products. Sony's 8mm portable video system, which could make airline movies a thing of the past, created considerable dealer attention, while an expanded and improved selection of portable CD players (including a palm-size one from Sony) should

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